



Senate

General Assembly

January Session, 2015

File No. 268

Senate Bill No. 983

Senate, March 26, 2015

The Committee on Insurance and Real Estate reported through SEN. CRISCO of the 17th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**AN ACT CONCERNING THE INSURANCE DEPARTMENT'S
FINANCIAL REGULATORY OVERSIGHT OF INSURANCE
COMPANIES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (e) of section 38a-14 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2015*):

4 (e) (1) Nothing contained in this section shall be construed to limit
5 the commissioner's authority to terminate or suspend any examination
6 in order to pursue legal or regulatory action pursuant to the insurance
7 laws of this state. Findings of fact and conclusions made pursuant to
8 any examination shall be prima facie evidence in any legal or
9 regulatory action.

10 (2) Nothing contained in this section shall be construed to limit the
11 commissioner's authority in such legal or regulatory action to use and,
12 if appropriate, to make public any final or preliminary examination

13 report, any examiner or company workpapers or other documents, or
14 any other information discovered or developed during the course of
15 any examination.

16 (3) Not later than sixty days following completion of the
17 examination, the examiner in charge shall file, under oath, with the
18 Insurance Department a verified written report of examination. Upon
19 receipt of the verified report, the Insurance Department shall transmit
20 the report to the entity examined, together with a notice that shall
21 afford the entity examined a reasonable opportunity, not to exceed
22 thirty days, to make a written submission or rebuttal with respect to
23 any matters contained in the examination report. Not later than thirty
24 days after the period allowed for the receipt of written submissions or
25 rebuttals, the commissioner shall fully consider and review the report,
26 together with any written submissions or rebuttals and any relevant
27 portions of the examiner's workpapers and enter an order: (A)
28 Adopting the examination report as filed or with modification or
29 corrections. If the examination report reveals that the entity is
30 operating in violation of any law, regulation or prior order of the
31 commissioner, the commissioner may order the company to take any
32 action the commissioner considers necessary and appropriate to cure
33 such violation; (B) rejecting the examination report with directions to
34 the examiners to reopen the examination for purposes of obtaining
35 additional data, documentation or information, and refiling pursuant
36 to this subdivision; or (C) calling for an investigatory hearing with not
37 less than twenty days' notice to the company for purposes of obtaining
38 additional documentation, data, information and testimony.

39 (4) (A) The commissioner shall transmit the examination report
40 adopted pursuant to subparagraph (A) of subdivision (3) of this
41 subsection or a summary thereof to the entity examined, together with
42 any recommendations or written statements from the commissioner or
43 the examiner. The secretary of the board of directors or similar
44 governing body of the entity shall provide a copy of the report or
45 summary to each director and shall certify to the commissioner, in
46 writing, that a copy of the report or summary has been provided to

47 each director.

48 (B) Not later than one hundred twenty days after receiving the
49 report or summary, the chief executive officer or the chief financial
50 officer of the entity examined shall present the report or summary to
51 the entity's board of directors or similar governing body at a regular or
52 special meeting.

53 Sec. 2. Subsection (e) of section 38a-53 of the general statutes is
54 repealed and the following is substituted in lieu thereof (*Effective July*
55 *1, 2015*):

56 (e) Any insurance company or health care center doing business in
57 this state that fails to file any report or statement required under this
58 section shall pay a late filing fee of one hundred seventy-five dollars
59 per day for each day from the due date of such report or statement to
60 the date of filing. The commissioner may extend the due date of any
61 report or statement required under this section (1) if the insurance
62 company or health care center cannot file such report or statement
63 because the governor of such company's or center's state of domicile
64 has proclaimed a state of emergency in such state and such state of
65 emergency impairs the company's or center's ability to file the report
66 or statement, (2) if the insurance regulatory official of the state of
67 domicile of a foreign insurance company has permitted such company
68 to file such report or statement late, or (3) for a domestic insurance
69 company or health care center, for good cause shown.

70 Sec. 3. Section 38a-69a of the general statutes is repealed and the
71 following is substituted in lieu thereof (*Effective July 1, 2015*):

72 (a) All financial analyses, financial examination workpapers,
73 operating and financial condition reports concerning any insurance
74 company, fraternal benefit society or health care center prepared by or
75 on behalf of or for the use of the Insurance Commissioner or the
76 Insurance Department examiner, shall be confidential, [unless such
77 documents are otherwise a matter of public record, or the
78 commissioner, in the commissioner's opinion deems it in the public

79 interest to disclose or otherwise make available for public inspection
80 the information contained in such documents] shall not be subject to
81 subpoena and shall not be made public by the commissioner or any
82 other person, except to the extent provided in subsection (c) of this
83 section. The commissioner may grant access to such analyses,
84 workpapers and reports to the National Association of Insurance
85 Commissioners, provided it agrees, in writing, to hold such analyses,
86 workpapers and reports confidential.

87 (b) Any supplemental compensation exhibit or stockholder
88 information supplement in an annual report filed with the
89 commissioner and prepared in accordance with the National
90 Association of Insurance Commissioners Annual Statement
91 Instructions shall be confidential and shall not be available for public
92 inspection if submitted by a nonprofit insurance company that has
93 fewer than one hundred fifty employees. The provisions of this
94 subsection shall not apply to information in such exhibit or
95 supplement concerning such company's three most highly
96 compensated officers.

97 (c) Nothing contained in this section shall prevent or be construed
98 as prohibiting the commissioner from disclosing the content of
99 financial analyses, financial examination workpapers or operating and
100 financial condition reports or any matter relating thereto, to the
101 Insurance Department of this or any other state or country, or to law
102 enforcement officials of this or any other state or to any agency of the
103 federal government at any time, so long as such department, official or
104 agency receiving the analyses, workpapers or reports or matters
105 relating thereto agrees, in writing, to hold such analyses, workpapers
106 or reports and matters relating thereto confidential.

107 Sec. 4. Subparagraph (A) of subdivision (3) of subsection (e) of
108 section 38a-85 of the general statutes is repealed and the following is
109 substituted in lieu thereof (*Effective July 1, 2015*):

110 (3) (A) (i) In the case of a single assuming insurer, the trust shall
111 consist of a trusteeship account with funds in an amount not less than the

112 assuming insurer's liabilities attributable to reinsurance ceded by
113 domestic and foreign ceding insurers and, unless otherwise provided
114 in subparagraph (A)(ii) of this subdivision, the assuming insurer shall
115 maintain a trusted surplus of not less than twenty million dollars.

116 (ii) (I) The insurance regulatory official with principal oversight of
117 the trust may authorize a reduction in the required trusted surplus.

118 [(ii)] (II) For a trust over which the commissioner has principal
119 regulatory oversight, at any time after the assuming insurer has
120 permanently discontinued for at least three full years underwriting
121 new business secured by the trust, the commissioner may authorize a
122 reduction in the required trusted surplus. Such reduction shall be
123 made only after the commissioner finds, based on a risk assessment,
124 that the reduced surplus level is adequate to protect domestic and
125 foreign policyholders and ceding insurers and claimants in light of
126 reasonably foreseeable adverse loss development. The risk assessment
127 may involve an actuarial review, including an independent analysis of
128 reserves and cash flows, and shall consider all material risk factors,
129 including, when applicable, the lines of business involved, the stability
130 of the incurred loss estimates and the effect of the surplus
131 requirements on the assuming insurer's liquidity or solvency. The
132 minimum required surplus shall not be reduced to an amount less
133 than thirty per cent of the assuming insurer's liabilities attributable to
134 reinsurance ceded by domestic and foreign ceding insurers covered by
135 the trust.

136 Sec. 5. Subdivision (3) of subsection (b) of section 38a-129 of the
137 general statutes is repealed and the following is substituted in lieu
138 thereof (*Effective July 1, 2015*):

139 (3) "Control", "controlled by" or "under common control with" has
140 the same meaning as provided in section 38a-1; [. Control shall be
141 presumed to exist if any person, directly or indirectly, owns, controls,
142 holds with the power to vote, or holds proxies representing, ten per
143 cent or more of the voting securities of any other person. This
144 presumption may be rebutted by a showing that control does not exist

145 in fact. The commissioner may determine, after furnishing all persons
146 in interest notice and opportunity to be heard and making specific
147 findings of fact to support the determination, that control exists in fact,
148 notwithstanding the absence of a presumption to that effect;]

149 Sec. 6. (NEW) (*Effective July 1, 2015*) (a) For the purposes of sections
150 38a-129 to 38a-140, inclusive, of the general statutes, as amended by
151 this act, control shall be presumed to exist if any person, directly or
152 indirectly, owns, controls, holds with the power to vote, or holds
153 proxies representing, ten per cent or more of the voting securities of
154 any other person. This presumption may be rebutted by a showing
155 that control does not exist in fact.

156 (b) The commissioner may determine, after furnishing all persons in
157 interest notice and opportunity to be heard, that a person, directly or
158 indirectly, alone or pursuant to an oral or a written agreement,
159 arrangement or understanding with one or more other persons,
160 exercises such influence over the management or policies of an
161 insurance company that it is necessary or in the public interest for the
162 protection of such company's policyholders that such person or
163 persons be deemed to control such company. The commissioner shall
164 make specific findings of fact to support the determination that control
165 exists in fact, notwithstanding the absence of a presumption to that
166 effect.

167 Sec. 7. Subparagraph (A) of subdivision (2) of subsection (a) of
168 section 38a-130 of the general statutes is repealed and the following is
169 substituted in lieu thereof (*Effective July 1, 2015*):

170 (2) (A) (i) No person shall enter into an agreement, arrangement or
171 understanding, whether written or oral, to merge with or otherwise
172 acquire control of a domestic insurance company or any corporation
173 controlling a domestic insurance company unless, at the time any form
174 of initial offer, request or invitation is made or the agreement,
175 arrangement or understanding is entered into, or prior to the
176 acquisition of such securities or proxies if no offer, [or] agreement,
177 arrangement or understanding is involved, such person has filed with

178 the commissioner and has sent to such insurance company a statement
179 containing the information required by subsection (b) of this section
180 and such offer, request, invitation, agreement, arrangement,
181 understanding or acquisition has been approved by the commissioner
182 in the manner hereinafter prescribed.

183 (ii) If any offer, request, invitation, agreement or acquisition is
184 proposed to be made by means of a registration statement under the
185 Securities Act of 1933 or in circumstances requiring the disclosure of
186 similar information under the Securities Exchange Act of 1934, the
187 person required to file the statement under subparagraph (A)(i) of this
188 subdivision may utilize the registration statement or such documents
189 furnishing the similar information to provide the information required
190 by subsection (b) of this section, to the extent that the registration
191 statement or such documents contains such information.

192 Sec. 8. Subdivision (1) of subsection (b) of section 38a-136 of the
193 general statutes is repealed and the following is substituted in lieu
194 thereof (*Effective July 1, 2015*):

195 (b) (1) The following transactions involving a domestic insurance
196 company and any person in its holding company system, including
197 amendments to or modifications of affiliate agreements previously
198 filed pursuant to this section and that are subject to any materiality
199 standards specified in subparagraphs (A) to (G), inclusive, of this
200 subdivision, may not be entered into unless the insurance company
201 has notified the commissioner in writing of its intention to enter into
202 such transaction at least thirty days prior thereto, or such shorter
203 period as the commissioner may permit, and the commissioner has
204 approved or not disapproved it within such period. The written notice
205 for such amendments or modifications shall specify the reasons for the
206 change and the financial impact on the domestic insurance company.
207 Not later than thirty days after the termination of a previously filed
208 agreement, the domestic insurance company shall notify the
209 commissioner of such termination for the commissioner's
210 determination of what written notice or filing shall be required, if any:

211 (A) Sales, purchases, exchanges, loans or extensions of credit, or
212 investments, provided such transactions are equal to or exceed: (i)
213 With respect to nonlife insurance companies, the lesser of three per
214 cent of the insurance company's admitted assets or twenty-five per
215 cent of surplus; or (ii) with respect to life insurance companies, three
216 per cent of the insurance company's admitted assets; each as of the
217 thirty-first day of December next preceding;

218 (B) Loans or extensions of credit to any person who is not an
219 affiliate, where the insurance company makes such loans or extensions
220 of credit with the agreement or understanding that the proceeds of
221 such transactions, in whole or in substantial part, are to be used to
222 make loans or extensions of credit to, to purchase assets of, or to make
223 investments in, any affiliate of the insurance company making such
224 loans or extensions of credit, provided such transactions are equal to or
225 exceed: (i) With respect to nonlife insurance companies, the lesser of
226 three per cent of the insurance company's admitted assets or twenty-
227 five per cent of surplus; or (ii) with respect to life insurance companies,
228 three per cent of the insurance company's admitted assets; each as of
229 the thirty-first day of December next preceding;

230 (C) Reinsurance agreements or modifications thereto, including (i)
231 all reinsurance pooling agreements, and (ii) agreements in which the
232 reinsurance premium or a change in the insurance company's
233 liabilities, or the projected reinsurance premium or a projected change
234 in the insurance company's liabilities in any of the next three years,
235 equals or exceeds five per cent of the insurance company's surplus, as
236 of the thirty-first day of December next preceding, including those
237 agreements that may require as consideration the transfer of assets
238 from an insurance company to a nonaffiliate, if an agreement or
239 understanding exists between the insurance company and nonaffiliate
240 that any portion of such assets will be transferred to one or more
241 affiliates of the insurance company;

242 (D) All management agreements, service contracts, tax allocation
243 agreements and cost-sharing arrangements;

244 (E) Guarantees by a domestic insurance company, except that a
245 guarantee that is (i) quantifiable as to amount, and (ii) does not exceed
246 the lesser of one-half of one per cent of the insurance company's
247 admitted assets or ten per cent of surplus with regard to policyholders,
248 as of the thirty-first day of December next preceding, shall not be
249 subject to the notice requirement of this subsection;

250 (F) Direct or indirect acquisitions or investments in a person that
251 controls the domestic insurance company or in an affiliate of the
252 insurance company in an amount that, together with the insurance
253 company's present holdings in such investments, exceeds two and one-
254 half per cent of the insurance company's surplus with regard to
255 policyholders. This subsection shall not apply to direct or indirect
256 acquisitions of or investments in (i) subsidiaries acquired pursuant to
257 section 38a-102d or authorized pursuant to any section of this title
258 other than sections 38a-129 to 38a-140, inclusive, as amended by this
259 act, or (ii) nonsubsidiary affiliates that are subject to the provisions of
260 sections 38a-129 to 38a-140, inclusive, as amended by this act; and

261 (G) Any material transactions, specified by regulation, that the
262 commissioner determines may adversely affect the interests of the
263 insurance company's policyholders.

264 Sec. 9. Section 38a-188 of the general statutes is repealed and the
265 following is substituted in lieu thereof (*Effective July 1, 2015*):

266 Each health care center governed by sections 38a-175 to 38a-192,
267 inclusive, shall be exempt from the provisions of the general statutes
268 relating to insurance in the conduct of its operations under said
269 sections and in such other activities as do constitute the business of
270 insurance, unless expressly included therein, and except for the
271 following: Sections 38a-11, 38a-14a, 38a-17, 38a-51, 38a-52, 38a-56, 38a-
272 57, 38a-129 to 38a-140, inclusive, as amended by this act, 38a-147 and
273 38a-815 to 38a-819, inclusive, provided a health care center shall not be
274 deemed in violation of sections 38a-815 to 38a-819, inclusive, solely by
275 virtue of such center selectively contracting with certain providers in
276 one or more specialties, and sections 38a-80, 38a-492b, 38a-518b, 38a-

277 543, 38a-702j, 38a-703 to 38a-718, inclusive, 38a-731 to 38a-735,
278 inclusive, 38a-741 to 38a-745, inclusive, 38a-769, 38a-770, 38a-772 to
279 38a-776, inclusive, 38a-786, 38a-790, 38a-792 and 38a-794, provided a
280 health care center organized as a nonprofit, nonstock corporation shall
281 be exempt from sections 38a-146, 38a-702j, 38a-703 to 38a-718,
282 inclusive, 38a-731 to 38a-735, inclusive, 38a-741 to 38a-745, inclusive,
283 38a-769, 38a-770, 38a-772 to 38a-776, inclusive, 38a-786, 38a-790, 38a-
284 792 and 38a-794. If a health care center is operated as a line of business,
285 the foregoing provisions shall, where possible, be applied only to that
286 line of business and not to the organization as a whole. The
287 commissioner may adopt regulations, in accordance with chapter 54,
288 stating the circumstances under which the resources of a person which
289 controls a health care center, or operates a health care center as a line
290 of business will be considered in evaluating the financial condition of a
291 health care center. Such regulations, if adopted, shall require as a
292 condition to the consideration of the resources of such person [which]
293 that controls a health care center, or operates a health care center as a
294 line of business to provide satisfactory assurances to the commissioner
295 that such person will assume the financial obligations of the health
296 care center. During the period prior to the effective date of regulations
297 issued under this section, the commissioner shall, upon request,
298 consider the resources of a person [which] that controls a health care
299 center, or operates a health care center as a line of business, if the
300 commissioner receives satisfactory assurances from such person that it
301 will assume the financial obligations of the health care center and
302 determines that such person meets such other requirements as the
303 commissioner determines are necessary. A health care center
304 organized as a nonprofit, nonstock corporation shall be exempt from
305 the sales and use tax and all property of each such corporation shall be
306 exempt from state, district and municipal taxes. Each corporation
307 governed by sections 38a-175 to 38a-192, inclusive, shall be subject to
308 the provisions of sections 38a-903 to 38a-961, inclusive. Nothing in this
309 section shall be construed to override contractual and delivery system
310 arrangements governing a health care center's provider relationships.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2015</i>	38a-14(e)
Sec. 2	<i>July 1, 2015</i>	38a-53(e)
Sec. 3	<i>July 1, 2015</i>	38a-69a
Sec. 4	<i>July 1, 2015</i>	38a-85(e)(3)(A)
Sec. 5	<i>July 1, 2015</i>	38a-129(b)(3)
Sec. 6	<i>July 1, 2015</i>	New section
Sec. 7	<i>July 1, 2015</i>	38a-130(a)(2)(A)
Sec. 8	<i>July 1, 2015</i>	38a-136(b)(1)
Sec. 9	<i>July 1, 2015</i>	38a-188(a)

INS***Joint Favorable***

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill clarifies and strengthens certain provisions of the Department of Insurance's regulatory oversight authority. There is no fiscal impact.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**SB 983*****AN ACT CONCERNING THE INSURANCE DEPARTMENT'S
FINANCIAL REGULATORY OVERSIGHT OF INSURANCE
COMPANIES.*****SUMMARY:**

This bill makes several changes in the insurance statutes. It:

1. requires the (a) insurance commissioner to give the board of directors of an insurer, HMO, or similar entity, a final financial examination report following the completion of an examination and (b) directors to review the report;
2. allows the commissioner to extend the due date for insurers and HMOs to file their quarterly and annual financial statements under certain circumstances;
3. prohibits anyone from making public confidential examination workpapers and related information, but allows the commissioner to disclose the information to other insurance regulatory officials, law enforcement officials, and government agencies that agree to keep it confidential;
4. amends the statute that allows credit for reinsurance to specify that the insurance regulatory official with principal oversight of a reinsurer's required trust may authorize a reduction in the required trusted surplus;
5. specifies who the commissioner may determine to be in control of an insurance company under the holding company statutes;
6. expands the types of material transactions that a member company of a holding company system can enter into only with

the commissioner's approval; and

7. explicitly allows the commissioner to order an HMO to turn over books and records necessary for her to conduct a financial examination of the company, which she is authorized by law to conduct, and requires the HMO to pay for any such examination (§ 9).

EFFECTIVE DATE: July 1, 2015

§1 – FINANCIAL EXAMINATION REPORTS

The bill establishes requirements concerning final financial examination reports. By law, the insurance commissioner may conduct financial examinations of insurers, HMOs, and similar entities doing business in Connecticut. Existing law sets a timeframe for (1) distributing draft reports to examined entities, (2) entities to reply, and (3) the commissioner to prepare and adopt a final report.

The bill requires the commissioner to provide the final, adopted examination report or a summary of it to the examined entity, along with any of her or the examiner's recommendations or written statements. It requires the entity's board of director's secretary to give a copy to each director and certify to the commissioner in writing that this has occurred.

The bill also requires the examined entity's chief executive officer or chief financial officer, within 120 days after receiving the report or summary, to present it to the board of directors at a regular or special meeting.

§ 2 – DUE DATE FOR FINANCIAL STATEMENTS

The bill allows the commissioner to extend the due date for the quarterly and annual financial statements insurers and HMOs must file with the commissioner. By law, if an entity files a statement after its due date, the commissioner fines it \$175 for every day it is late.

The bill allows the commissioner to extend a statement's due date

(thus postponing or waiving the late fees):

1. if the entity cannot file the statement because the governor of its home state proclaimed a state of emergency that prevents the entity from filing it,
2. if the entity's home state insurance regulatory official has allowed the entity to file it late, or
3. for a domestic entity for good cause shown.

§ 3 – FINANCIAL EXAMINATION WORKPAPER CONFIDENTIALITY

The bill strengthens the confidentiality provisions relating to financial examination workpapers, financial analyses, and operating and financial condition reports concerning an insurer, HMO, or fraternal benefit society. Under current law, these items are confidential unless (1) otherwise a matter of public record or (2) the commissioner deems it in the public interest to make them publicly available.

The bill instead makes these items confidential and not subject to subpoena. It prohibits anyone, including the commissioner, from making the items public, but allows her to give the National Association of Insurance Commissioners (NAIC) access to them, if the NAIC agrees in writing to keep them confidential.

The bill also allows the commissioner to share the items, their content, or any matter relating to them, with insurance regulatory officials, law enforcement officials, and government agencies, if the recipient agrees in writing to keep the information confidential.

§ 4 – AUTHORIZING REDUCTIONS IN TRUSTEED ACCOUNTS

The law specifies an accounting procedure for insurers transferring all or part of their insurance or reinsurance risk written to another insurer or reinsurer. Under this statutory procedure, the ceding insurer may treat amounts due from reinsurers as assets or reductions from liability based on the reinsurer's status. By law, a credit for reinsurance

is allowed when the reinsurer maintains a trust in a qualified U. S. financial institution. In the case of a single reinsurer, the trust must cover at least the reinsurer's U. S. reinsurance liabilities and a surplus of at least \$20 million; but the commissioner may, in certain circumstances, reduce the surplus amount for a trust over which she has principal regulatory oversight.

The bill specifies that whoever the insurance regulatory official with principal oversight of a trust is, he or she may authorize a reduction in the trusteed surplus.

§§ 5 - 7 – DETERMINING CONTROL OF A COMPANY

The bill expands the grounds under which the commissioner may find that a person has control over an insurance company.

The law grants the commissioner the authority to (1) supervise the activities of insurance companies doing business in Connecticut that are affiliated with an insurance holding company system (a group of affiliated companies), (2) review the acquisition of control over the management of domestic insurance companies, and (3) provide standards for the supervision and review.

By law, “control” generally means having, directly or indirectly, the power to direct the management of a company. Control is presumed to exist when a person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of another. This presumption may be rebutted by a showing that control does not in fact exist.

Under current law, the commissioner may determine, after giving interested people notice and an opportunity to be heard, that control does in fact exist. The bill specifies she may determine that a person, directly or indirectly, alone or under an oral or written agreement, arrangement, or understanding with one or more people, exercises such influence over the management or policies of an insurance company that it is necessary or in the public’s interest and for protection of the company’s policyholders that the person be deemed

to be in control of the company.

By law, no one may enter into an agreement to merge or take control of a domestic insurer unless certain conditions are met, including receiving the commissioner's approval. The bill also prohibits entering arrangements or understandings to merge or take control unless the same conditions are met.

§ 8 – HOLDING COMPANY MATERIAL TRANSACTIONS

The law specifies requirements for transactions within an insurance holding company system. Certain specified material transactions may not be entered into without the commissioner's approval, including reinsurance agreements, management agreements, service contracts, and cost-sharing arrangements. The bill also requires that tax allocation agreements be submitted for the commissioner's approval.

With respect to reinsurance agreements, the law requires all reinsurance agreements or modifications to be submitted to the commissioner for approval, including those in which the reinsurance premiums or change in the insurance company's liabilities equals or exceeds 5% of the company's surplus. The bill expands this to include any agreements in which the projected reinsurance premium or projected change in the company's liabilities in any of the next three years equals or exceeds 5% of the company's surplus.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (03/10/2015)